

Committee on Government Reform

Tom Davis, Chairman



MEDIA ADVISORY

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Government Reform Committee to Explore Ways to Eliminate Waste and Mismanagement in the Federal Government

What: Committee hearing on “Cutting Out Waste, Fraud, Mismanagement, Overlap and Duplication: Exploring Ideas for Improving Federal Reorganization, Management and Spending”

When: Wednesday, July 16, 2003, 10:00 a.m.

Where: Room 2154, Rayburn House Office Building

Background:

The Conference Report accompanying the FY 04 budget resolution (H. Report 108-71) requires House and Senate authorizing committees to identify means of eliminating waste, fraud, and abuse in mandatory spending programs (programs not subject to annual appropriations) in their jurisdictions. Committees are required to submit to their respective Budget Committee, findings as to the changes in law needed to eliminate specified amounts of waste, fraud, and abuse.

The specified amount is based on one percent of the total level of mandatory spending under each committee’s jurisdiction. The Committee on Government Reform has been directed to find savings of \$827 million in FY 04, \$4.5 billion over the 2004-08 period, and \$9.9 billion over the 2004-13 period.

The Office of Personnel Management (OPM) administers the majority of mandatory spending under the Committee on Government Reform’s jurisdiction (\$57 billion out of a total \$78 billion in FY 04, according to the March 2003 Congressional Budget Office baseline). Therefore, the purpose of this hearing is to receive testimony on the subject of waste, fraud, and abuse in mandatory spending programs administered by OPM.

OPM administers three programs subject to the Committee's mandatory spending jurisdiction that should be targeted for savings from waste, fraud, and abuse. The Federal Employees Health Benefits Program had outlays in FY 02 of \$24 billion, the Retirement Programs had outlays of \$48 billion, and the Federal Employees Group Life Insurance Program had outlays of \$2 billion.

The OPM Inspector General has identified approximately \$160 million in improper payments to carriers by health care providers and suppliers during FY 02. Specific areas of fraud include submitting false claims for services not rendered, billing for unnecessary procedures, falsifying billing codes to obtain higher rates of reimbursement, and ordering illegal procedures for patients. In addition, the Inspector General found \$64 million in defective pricing payments during the same period. In the area of Retirement Programs, the OPM Inspector General determined that approximately one-half of one percent of the \$100 million annual payments are made erroneously because of improper continuation of payments after the annuitant's death, and computation errors.

The OPM Inspector General is undertaking an initiative to utilize computer technology to develop an effective data warehouse and data mining techniques to more effectively recover waste, fraud, and abuse by carriers in the Federal Employees Health Benefits Program. Implementation of these applications should lead to a more comprehensive claims auditing process, which should, in turn, result in increased recovery of fraudulent overpayments from audits.

Witnesses:

Paul L. Posner, Managing Director, Strategic Issues, General Accounting Office (GAO)

Patrick E. McFarland, Inspector General, Office of Personnel Management (OPM)

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